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courage is contagious

Viewing cable 09GUAYAQUIL52, ANOTHER ONE BITES THE DUST: HUTCHISON PORT

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09GUAYAQUIL52**.

Reference ID	Created	Released	Classification	Origin
09GUAYAQUIL52	2009-03-06 17:35	2011-08-30 01:44	CONFIDENTIAL	Consulate Guayaquil

Appears in these articles:

<http://www.eluniverso.com/2011/04/27/1/1355/cable-195745.html>

R 061735Z MAR 09
FM AMCONSUL GUAYAQUIL
TO SECSTATE WASHDC 9743
INFO AMEMBASSY QUITO
AMEMBASSY BOGOTA
AMEMBASSY LIMA
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY BEIJING
AMCONSUL HONG KONG

C O N F I D E N T I A L GUAYAQUIL 000052

E.O. 12958: DECL: 12/10/2018
TAGS: [EINV](#) [ETRD](#) [PGOV](#) [ECON](#) [EC](#)
SUBJECT: ANOTHER ONE BITES THE DUST: HUTCHISON PORT
HOLDINGS ABANDONS MANTA CONCESSION

REFTEL: a) Guayaquil 0008 b) 2006 Quito 2226...

id: 195745
date: 3/6/2009 17:35
refid: 09GUAYAQUIL52
origin: Consulate Guayaquil

classification: CONFIDENTIAL
destination: 06QUITO2226|09GUAYAQUIL8
header:
R 061735Z MAR 09
FM AMCONSUL GUAYAQUIL
TO SECSTATE WASHDC 9743
INFO AMEMBASSY QUITO
AMEMBASSY BOGOTA
AMEMBASSY LIMA
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY BEIJING
AMCONSUL HONG KONG

----- header ends -----

C O N F I D E N T I A L GUAYAQUIL 000052

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REFTEL: a) Guayaquil 0008 b) 2006 Quito 2226

Classified by Doug Griffiths, Consul General. For Reason
1.4 (b and d)

¶1. (C) Summary. Hong Kong-based Hutchison Port Holdings, which won the concession to operate the Port of Manta in February 2007, terminated its presence in Ecuador on February 27. The departure capped six weeks of turmoil over the concession's future, after President Rafael Correa threatened during one of his January 9 weekly radio addresses to expel the company from Ecuador. Allegedly, in response to the unilateral changes to the concession terms imposed by Correa, Hutchison announced that it would abandon the country. The Government of Ecuador and Manta Port Authority officials then insisted that the concession remained valid and scrambled to find a way keep Hutchison in Manta. Hutchison's managing director told us that the change in the global economic environment, and the mercurial, anti-market behavior of the Ecuadorian Government made the concession no longer viable. The Port of Manta is now being administered by the Port Authority of Manta until new investors can be found. A prominent Manta lawyer summed it up best when he told us, "Correa over-reached" End summary.

¶2. (U) The Port of Manta is the only deep-water port in Ecuador. At other ports, larger vessels have to navigate estuaries leading from the ocean into the port. Manta also hosts the most important seafood and fishing fleet in Ecuador, with a fleet of 600 to 1000 fishing boats. Known as the tuna capital of the Eastern Pacific, 450 metric tons of tuna are processed and packed every day in Manta. In 2006 the government launched a tender for a 30-year concession to operate the Port of Manta, and transform it into a multi-modal transportation hub, serving the Andean region, and even Brazil via an ambitious road and river development scheme. Hong Kong based Hutchison Port Holdings (HPH), the world's largest port operator, was the only company to bid on the concession (ref b).

¶3. (SBU) HPH planned to position Manta as the primary port for Ecuador and a redistribution center for other destinations. However, with the dramatic reduction in Pacific Ocean trade, HPH was unable to court shipping lines to the Port of Manta. In addition, HPH was frustrated that the Government of Ecuador failed to make good on its promised \$55 million investment to improve the poor road network linking Manta to the rest of Ecuador. Indeed, HPH told us in late September 2008 that it was only processing an average of two container ships

a week, down from seven per week when it took over the concession. Faced with the weak demand, HPH limited its infrastructure investments in the concession.

¶4. (C) During his January 9 weekly radio address, President Correa threatened to expel HPH from Manta due to delays in modernizing the port (Reftel). The President announced changes to the concession agreement that would limit the Government of Ecuador's contribution. In response, HPH announced that it would abandon the concession due to the unilateral modifications to the concession. A flurry of negotiations followed, where representatives of the Government of Ecuador and the Manta Port Authority tried to convince HPH to remain in Ecuador. The President of the Manta Port Authority, Lucia de Genna, told the Consul General last week that the President's threats were a negotiating tactic to get the concession to speed up investment at the port. However, HPH saw it as a way out of what was looking to be an expensive and unprofitable endeavor. While HPH representatives negotiated with the GOE throughout February, General Manager Paul Gallie spent much of the month in hiding outside of Ecuador. He insisted to ConGen poloff that HPH was calling Correa's bluff because Correa thought he could control the company's operation of the concession. While Gallie spent much of last year telling us that HPH could work with the Correa government, his analysis has now changed dramatically. He said that the President's mercurial behavior threatened the business climate, and he called Correa a "dictator" who wanted all international companies to leave Ecuador.

¶5. (SBU) On February 27, Gallie formally announced that HPH was withdrawing from Manta, and made severance payments to all employees. On the same day, on his Saturday radio broadcast Correa bid farewell to HPH with a sarcastic ?have a nice trip? (in Spanish, "que se vaya bonita," which could also mean "good riddance"). Correa called Gallie "an irresponsible drunk who will never be allowed to enter Ecuadorian port authorities again." Correa mocked Gallie as "the typical gringo who thinks that we are a colony." (Gallie is a British citizen.) The Ecuadorian press reported that the 270 former HPH employees have been paid the legal severance packages. The new administrators have reportedly kept on about 100 of the employees. Helive Angulo, manager of the Port Authority stated, "We are operating and we are freeing ourselves of the suffocating bureaucracy (of HPH) that used to consume a large part of the earnings."

¶6. (C) Comment. Hutchison is the second major foreign company to leave Ecuador in the past year, following Odebrecht SA, a Brazilian engineering firm. President Correa may have overstepped his game when he threatened to expel HPH in January, not really believing that the company would abandon the concession. Indeed, the President has used similar public bullying techniques to negotiate better terms with multinational firms such as cell-phone operator Porta, and several European oil companies. In the case of Odebrecht, Correa expelled the company even though Odebrecht was prepared to make a number of concessions to stay. However, Hutchison is not the first company to pull out because of changed commercial opportunity, bullying and the unpredictable investment regime: three U.S. oil companies with relatively small investments in Ecuador have departed or are trying to sell their holdings (City Oriente, Murphy Petroleum, and Burlington/ConocoPhillips). Manta business contacts are distraught that with the upcoming closure of the U.S. Forward Operating Location, another major source of well-paying jobs is drying up. End comment.

Griffiths

=====CABLE ENDS=====